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Chapter VII  
FINANCIAL MANAGEMENT

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Enclosure (1)

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## Chapter VII

## FINANCIAL MANAGEMENT

701. Policy and Procedures. Proper accounting for club assets, liabilities and operating results are an essential part of club management. Accurate and complete financial information provides the basis for planning and controlling club operations.

a. The Comptroller of the Navy Publication, NAVSO P-3520, Financial Management Policies and Procedures for Morale, Welfare, and Recreation Programs, sets forth minimum requirements for financial administration of Navy Flying Clubs. The information contained in this publication should not be construed as prohibiting additional controls or procedures, not in conflict therewith, as deemed necessary by the activity commanding officer, chain of command, or the program manager.

b. Deviations from NAVSO P-3520 will be requested from the Comptroller of the Navy, via the chain of command, and CHNAVPERS.

702. Financial Plans and Budgets. Budgeting consists of establishing specific future goals and periodically measuring actual results against planned objectives.

a. Budgets will address cash, operations, and capital requirements and contain a statement of financial conditions.

b. Budgets will be submitted at least 30 days prior to the beginning of the fiscal year by the BOD to the activity commanding officer for approval.

703. Responsibilities. The administration and supervision of flying club assets and financial affairs is the responsibility of the activity commanding officer who is assisted by the club manager and advised by the BOD.

a. For the activity commanding officer these responsibilities include but are not limited to:

(1) Ensuring compliance with NAVSO P-3520 as augmented by the program manager and chain of command.

(2) Reviewing and evaluating financial statements and, when directed, forwarding to higher authority.

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(3) Ensuring club operations are in consonance with approved budgets.

(4) Obviating unauthorized appropriated or nonappropriated fund support.

(5) Effecting corrective action on recommendations made by audit, program manager, and/or advisory personnel.

(6) Disapproving recommendations of the club manager/BOD deemed not in the best interest of the Flying Club Program or the Navy.

(7) Ascertaining that flying club assets are properly administered and safeguarded, that all income is received in full and recorded, that all bills are paid on time and that all disbursements are made only for authorized purposes.

(8) Directing that inventories are taken as required by governing directives.

(9) Designating a successor manager when required.

b. The club manager is charged with the following responsibilities:

(1) Receive, safeguard, disburse, and account for monies and assets in a timely manner in accordance with NAVSO P-3520, this instruction, club regulations, and other pertinent directives.

(2) Develop, implement, and maintain an internal control system following NAVSO P-3520.

(3) Be financially liable for losses of monies and/or property when his or her dishonesty, fraud, or culpable negligence is established.

(4) Ensure financial reports and budgets are prepared within established timeframes, submitted to the activity commanding officer via the BOD for review and approval, and accurately present the financial condition and results of operations.

(5) Ensure inventories are taken as required.

(6) Ensure preparation, accuracy, and retention of source documents including, but not limited to, accounts and records of

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property and transactions incident to establishment, operation, and liquidation.

704. Appropriated Fund Support. Guidance for appropriated fund support for flying clubs is contained in NAVCOMPT Manual, Volume 7, paragraph 075500.

705. Nonappropriated Fund Support. Flying clubs may neither receive revenue from nor distribute dividends to, other Non-Appropriated Fund Instrumentalities (NAFIs). This prohibition does not preclude the purchase of services, such as accounting and bookkeeping, from other NAFIs on a fully reimbursable basis. The loan of funds from another NAFI to a flying club (paragraph 301b) will be approved only when such a loan will not materially affect the financial status of the lending NAFI. Such loans must be approved by the CHNAVPERS and shall be made on a guaranteed basis with interest.

706. Fraud or Other Dishonest Act. Any employee, member, or person connected with a Navy Flying Club shall report to the proper authority any suspected misappropriation, embezzlement, larceny, or robbery of property or funds, or other improper matter for action following applicable regulations.

707. Financial Statements. Financial statements will be prepared and issued as often as necessary to be of optimum use to management officials and meet the standards of fairness of presentation, full disclosure, timeliness and usefulness. They will be prepared and submitted following this instruction, NAVSO P-3520 and other pertinent directives. Three principal financial statements are used to display the financial condition of the activity, the results of its operation, and changes in its net worth. These statements are the balance sheet, income statement, and reconciliation of net worth. A fourth statement which may also be useful is a statement of changes in financial position.

a. The balance sheet provides information relative to assets, liabilities, and net worth at a selected point of time, usually at the end of an accounting period. An example of a Navy Flying Club balance sheet, in the format required for annual reporting, is contained in appendix A.

b. Revenues and expenses over a defined accounting period are summarized in the income statement. An example of a Navy Flying Club income statement is contained in appendix A in the format required for annual reporting.

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c. Changes in net worth are an important gauge of the financial viability of a flying club. An example of a reconciliation of net worth for a Navy Flying Club is contained in Appendix A in the format required for annual reporting.

708. Audit and Inspection. All activities and functions within all levels of command are subject to audit and inspection. Mishandling of flying club funds and property, violation of the standards of conduct, and any other improper situation will be referred to and investigated by the activity commanding officer, and when appropriate, the Naval Criminal Investigative Service. Irregularities of a serious nature will be reported through the chain of command and the program manager to the Assistant Secretary of the Navy (Financial Management). Flying club financial records should be audited at least annually or as directed by the commanding officer or program manager when circumstances warrant.

709. Records Management. Records pertaining to the administration of flying club funds will be maintained and disposed of per SECNAVINST 5212.5C, part III, chapters 5 and 7.

710. Investments. Funds will not be generated merely for investment purposes. When, however, cash is accumulated for programmed purposes, e.g., engine replacement or overhaul, management may consider investment of funds in excess of immediate operational requirements. Regulations and restrictions regarding investment of flying club assets are contained in chapter III of NAVSO P-3520.

711. Recording of Financial Transactions. Chapters V and VI of NAVSO P-3520 outline procedures for the handling and recording of financial transactions for Navy Flying Clubs. Chapter IV contains the established, uniform chart of accounts for the recording of financial transactions for Navy Flying Clubs. A practice set containing illustrative postings of various transactions is presented in Chapter VII.

712. Leaseback Agreements. Appendix G is provided as a guideline for leaseback arrangements. Refer to BUPERSINST 7043.1A, chapter 3, paragraph 310.